UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF MICHIGAN SOUTHERN DIVISION

Powerhouse Marks, LLC,

Plaintiff,

 \mathbf{v} .

CANFIELD, PADDOOCK AND STONE, P.L.C.

Harness, Dickey & Pierce, PLC, a Michigan Professional Limited Liability Company, George T. Schooff, an individual, David P. Utykanski, an individual, and Brent G. Seitz, an individual,

Case: 2:08-cv-10484
Judge: Cohn, Avern
Referral MJ: Scheer, Donald A
Filed: 02-01-2008 At 11:54 AM
REM POWERHOUSE MARKS V. HARNESS DIC
KEY ET AL (DA)

Wayne County Circuit Court
Case No. 08-101772
Hon. Michael F. Sapala

Defendants.

EDWARD G. LENNON PLLC Edward G. Lennon (P42278) Attorney for Plaintiff 322 N. Old Woodward Birmingham, Michigan 48009 (248) 723-1276 MILLER, CANFIELD, PADDOCK AND STONE, P.L.C. Thomas G. Parachini (P22832) David O'Brien (P65532) Attorneys for Defendants 150 West Jefferson, Suite 2500 Detroit, Michigan 48226 (313) 963-6420

COLLINGS, EINHORN, FARRELL & ULANOFF, P.C.
Brian D. Einhorn (P13130)
Donald D. Campbell (P43088)
Co-counsel for Defendants
4000 Town Center - Suite 909
Southfield, Michigan 48075
(248) 355-4141

NOTICE OF REMOVAL OF ACTION

TO THE HONORABLE JUDGES AND CLERKS OF THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF MICHIGAN:

PLEASE TAKE NOTICE that Defendants Harness, Dickey & Pierce, PLC, George T. Schooff, David P. Utykanski, and Brent G. Seitz (collectively "Defendants"), by and through their undersigned counsel and pursuant to 28 U.S.C. §§ 1441 and 1446, et seq., respectfully remove the above-captioned matter from the Circuit Court for the County of Wayne, State of Michigan, to this Court. In support of this Notice, Defendants state the following:

- 1. On January 22, 2008, Plaintiff Powerhouse Marks, LLC, a Michigan Limited Liability Company, filed a lawsuit in the Circuit Court for the County of Wayne, State of Michigan, Case No. 08-101772, naming Harness, Dickey & Pierce, PLC, George T. Schooff, David P. Utykanski, and Brent G. Seitz as defendants (the "State Court Action").
- 2. On January 24, 2008, Defendants were served by personal service with a Summons and Complaint. A copy of the Summons and Complaint in the State Court Action is attached as Exhibit A. This Summons and Complaint constitutes all process, pleadings and orders served upon Defendants to date in this action. The time for answering or otherwise responding to the Complaint has not yet expired.
- 3. The above-described action is a civil suit for money damages in which Plaintiff alleges that Defendants committed legal malpractice in their representation of Plaintiff in a case involving trademark infringement.

- 4. The United States District Court for the Eastern District of Michigan has original jurisdiction over this case or controversy under 28 U.S.C. § 1331 and 28 U.S.C. § 1388(a) because Powerhouse's claim against Harness Dickey and the individual defendants necessarily depends on resolution of a substantial question of federal trademark law under the Lanham Act, in that the relief available under the Lanham Act is a necessary element of its claim.
- 5. Because this action is one over which the United States District Court has original jurisdiction, it is removable pursuant to 28 U.S.C. § 1441 and 28 U.S.C. § 1446.
- 6. Venue is proper in this Court because the facts and circumstances giving rise to Plaintiff's claims allegedly occurred within this District.
- 7. Pursuant to 28 U.S.C. § 1446(b), this Notice of Removal is timely, having been filed with this Court within 30 days after receipt by the Defendants of the Summons and Complaint.
- 8. A true and correct copy of this Notice of Removal has been sent to the Clerk of the Circuit Court for the County of Wayne, State of Michigan, for filing as provided by law.
- 9. Written notice of the Notice of Removal will be given to the adverse party as required by law.

WHEREFORE, Defendants respectfully remove this action from the Circuit Court for the County of Wayne, State of Michigan, to this Court.

MILLER, CANFIELD, PADDOCK AND STONE, PILLC.

MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

By: <u>/</u>

Thomas G. Parachini (P22832)

David O'Brien (P65532)

Attorneys for Defendants 150 West Jefferson, Suite 2500

Detroit, Michigan 48226

(313) 963-6420

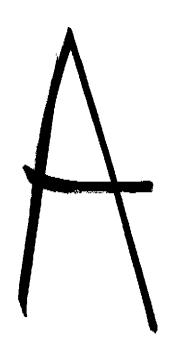
and

COLLINGS, EINHORN, FARRELL & ULANOFF, P.C.

Brian D. Einhorn (P13130)
Donald D. Campbell (P43088)
Co-counsel for Defendants
4000 Town Center – Suite 909
Southfield, Michigan 48075
(248) 355-4141

Dated: January 31, 2008

DELIB:2932613.4\038456-00010





	RETURN OF SERVICE		
COURT ADDRESS: 2 WOODWARD AVENUE, DETROIT, MICHIGAN 48226 THIS CASE ASSIGNED TO JUDGE: MICHAEL F. SAPALA		COURT TELEPHONE NO. (313) 224- Bar Number: 19891	

PLAINTIFF'S AFTORNEY EDWARD G. LENNON (F-42278) 322 H OLD WOODWARD AVE BIRHINGHAM. MI 48009-5321 248-723-1276

WERHOUSE MARKS LLC

CVOR SHIPPING		PAID **	
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*This summons is invalid unless served on	or before its expiration date.	Cathy M. Garrett - Wayne County Clerk	
 You are being sued. YOU HAVE 21 DAYS after received other lawful action (28 days if your 3. If you do not answer or take other in the complaint. There is no other pending or respectively filed in	ring this summons to file an answ u were served by mail or you we er action within the time allowed, olved civil action arising out of ti ies or other parties arising out of solved action within the jurisdict of the family division of the circuit	judgment may be entered against you for ne same transaction or occurrence as alleg the transaction or occurrence alleged in the ion of the family division of circuit court in a court involving the family or family membe	the relief demanded ed in the complaint. complaint has been Court. volving the family or
The docket number and assigned j	udge of the civil/domestic relation	ns action are:	
Docket no.	Judge		Bar no.
belief.	on above and attached is true to t	he best of my information, knowledge, and	
Date	Signature of attorney/plain	GH .	10 mm

COMPLAINT IS STATED ON ATTACHED PAGES, EXHIBITS ARE ATTACHED IF REQUIRED BY COURT RULE.

If you require special accommodations to use the court because of disabilities, please contact the court immediately to make arrangement.



SUMMONS AND
RETURN OF SERVICE

	KETURN OF SERVICE		
COURT ADDRESS: 2 WOODWARD AVENUE, DETROIT, MICHIGAN 48226		COURT 553 1 TELEPHONE NO. (313) 224-	
THIS CASE ASSIGNED TO JUDGE:	EL F. SAPALA	Bar Number: 19891	
PLAINTIFF WERHOUSE MARKS LLC	PL 01 VS SEITZ BRENT	DEFENDANT G DF 005	
PLAINTIFF'S ATTORNEY EDWARD G. LENNON (P-42278) 322 N OLD WOODWARD AVE BIRHINGHAM, MI 48009-532 248-723-1276	? 1		
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The docket number and assigned judge of the Docket no.	Judge	Bar no.	
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I declare that the complaint information above and attached is true to the best of my information, knowledge, and

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belief.

Date

Signature of attorney/plaintiff



If you require special accommodations to use the court bucause of disabilities, please contact the court immediately to make arrangement.

pending.



SUMMONS AND RETURN OF SERVICE

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COURT ADDRESS: 2 WOODWARD AVENUE, DETR	OIT, MICHIGAN 48226	COURT TELEPHONE NO. (313	5531 3) 224-
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M,472	PARK.	NEON VANCOROE INC.	
*This summons is invalid unless served on or before its	s expiration date. Cathy M. Garrett -	Wayne County Clerk	
NOTICE TO THE DEFENDANT: in the na 1. You are being sued. 2. YOU HAVE 21 DAYS after receiving this sue other lawful action (28 days if you were seed). If you do not answer or take other action with the complaint. There is no other pending or resolved civil action between these partles or other previously filed in	ummons to file an answer with the courved by mail or you were served outs within the time allowed, judgment may action arising out of the same transa- or parties arising out of the transaction	urt and serve a copy on the ide this state). be entered against you for action or occurrence as alle or occurrence alleged in the	er the relief demanded eged in the complaint. ne complaint has been Court.
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Docket no.	Judge		Bar no.
The action remains if it is a re	s no longer pending. and attached is true to the best of my in	nformation, knowledge, and	

COMPLAINT IS STATED ON ATTACHED PAGES. EXHIBITS ARE ATTACHED IF REQUIRED BY COURT RULE.

Signature of attorney/plaintiff

If you require special accommodations to use the court because of disabilities, please contact the court immediately to make arrangement.

Oate

STATE OF MICHIGAN

IN THE CIRCUIT COURT FOR THE COUNTY OF WAYNE

POWERHOUSE MARKS, LLC.

Plaintiff,

V

HARNESS, DICKEY & PIERCE, P.L.C, a Michigan Professional Limited Liability Company, GEORGE T. SCHOOFF, an individual, DAVID P. UTYKANSKI, an individual, and BRENT G. SEITZ, an individual.

Defendants.

EDWARD G. LENNON PLLC Edward G. Lennon (P42278) Attorney for Plaintiff 322 N. Old Woodward Birmingham, MI 48009 (248) 723-1276 JURY FEE PAID THIS DATE: NAN 2 2 2008

COMPLAINT AND JURY DEMAND

There is a closed civil action arising out of the transaction or occurrence alleged in this Complaint. That case no. is 04-CV-73923, in the United States District Court for the Eastern District of Michigan, Southern Division.

Plaintiff, Powerhouse Marks, LLC, by and through its attorneys, Edward G.:

Lennon PLLC, for its Complaint against Defendants, states as follows:

PARTIES, JURISDICTION AND VENUE

1. Plaintiff, Powerhouse Marks, LLC ("Powerhouse"), is a Michigan limited liability company with a principal place of business located in the City of Farmington Hills, Oakland County, Michigan.

- 2. Defendant Harness, Dickey & Pierce, P.L.C., a law firm, is a Michigan professional limited liability company with a principal place of business located in the City of Troy, Oakland County, Michigan.
- 3. Defendant George T. Schooff is an attorney and member of Harness, Dickey & Pierce, P.L.C. and has a principal place of business located in the City of Troy, Oakland County, Michigan. At all times alleged herein, Defendant Schooff practiced law under the auspices of Harness, Dickey & Pierce, P.L.C., which is liable for the acts of malpractice of Schooff and its other attorneys under the doctrines of agency, *respondeat superior* and vicarious liability.
- 4. Defendant David P. Utykanski an attorney and member of Harness, Dickey & Pierce, P.L.C. and has a principal place of business located in the City of Troy, Oakland County, Michigan. At all times alleged herein, Defendant Utykanski practiced law under the auspices of Harness, Dickey & Pierce, P.L.C., which is liable for the acts of malpractice of Utykanski and its other attorneys under the doctrines of agency, *respondeat superior* and vicarious liability.
- 5. Defendant Brent G. Seitz is an attorney associated with Harness, Dickey & Pierce, P.L.C. and has a principal place of business located in the City of Troy, Oakland County, Michigan. At all times alleged herein, Defendant Seitz practiced law under the auspices of Hamess, Dickey & Pierce, P.L.C., which is liable for the acts of malpractice of Seitz and its other attorneys under the doctrines of agency, *respondeat superior* and vicarious liability.

- 6. The injuries giving rise to this cause of action occurred in Wayne County, Michigan.
- 7. The amount in controversy, exclusive of interest and costs, exceeds \$25,000.00.

FACTS

- 8. In the spring of 2004, Powerhouse retained Harness, Dickey & Pierce, P.L.C. to represent Powerhouse in connection with the infringement upon Powerhouse's trademarks by certain entities' sales of fitness equipment. Defendant George T. Schooff was the Harness, Dickey & Pierce, P.L.C. attorney principally in charge of this representation, and he was assisted by Defendants Utykanski and Seitz. (Collectively, Harness, Dickey & Pierce, P.L.C. and the individual Defendants shall be referred to "Harness Dickey".)
- 9. On October 6, 2004, on behalf of Powerhouse, Harness Dickey filed a lawsuit in federal court against certain parties alleging that the sale of certain fitness equipment infringed upon Powerhouse's trademarks, thereby violating federal and state law. This lawsuit was captioned <u>Powerhouse Marks, L.L.C.</u> v <u>Chi Hsin Impex, Inc., et al.</u>, USDC, ED Mich, case no. 04-73923 (the "Lawsuit").
- 10. The Defendants sued in the Lawsuit were Chi Hsin Impex, Inc. ("Impex"), Costco Wholesale Corporation ("Costco"), Dick's Sporting Goods, Inc. ("Dicks"), Dunham's Altheisure Corporation ("Dunhams"), Meijer, Inc. ("Meijer"), and Wal-Mart Stores, Inc. ("Wal-Mart"). Powerhouse settled with Wal-Mart prior to trial.
 - 11. Defendants in the Lawsuit filed a motion for summary judgment

seeking to preclude Powerhouse from recovering certain damages. Pursuant to the Court's February 2, 2006 opinion and order: (1) the money damage claims against all Defendants other than Impex were dismissed, and (2) Powerhouse was permitted to seek to recover from Impex lost loyalty revenue and disgorgement of the profits of Impex.

- 12. During the Lawsuit, Harness Dickey hired as an expert witness Creighton G. Hoffman ("Hoffman"), a certified public accountant experienced in trademark infringement matters, to opine and testify as to Powerhouse's damages.
 - 13. Trial in the Lawsuit took place in May, 2006.
- 14. Hoffman opined and testified at trial that royalties were calculated as a percentage of sales of the infringing product(s).
- Hoffman testified at trial that, as a result of Impex's infringement, Powerhouse lost \$3.8 million in royalties through July 31, 2004 and approximately \$600,000 from August 1, 2004 to the date of trial.
- 15. Hoffman testified at trial that Impex realized profits of at least \$17 million from it sale of "POWERHOUSE" brand fitness equipment.
- 16. Impex's expert, Rodney Crawford ("Crawford"), opined and testified that royalties were calculated as a percentage of sales of the infringing product(s).
- 17. Crawford testified that, based on an assumed 2% royalty rate, Powerhouse lost about \$2.2 million in royalties based on Impex's sales on infringing products.
- 18. At the conclusion of the Trial, the verdict form submitted to the jury was in the form drafted by Harness Dickey.

- 19. Before the jury's verdict was announced on May 11, 2006, the Court sent the jury back to the jury room in order to confirm with the parties' attorneys the meaning of the last question on the verdict form. Harness Dickey agreed with defense counsel that the jury's answer to the last question on the verdict form should be the total amount Powerhouse is entitled to-recover.
- 20. On May 11, 2006, the jury returned a verdict in which the jury found: (1) Plaintiff proved by a preponderance of the evidence that Impex's sale of "POWERHOUSE" brand fitness equipment created a likelihood of confusion; and (2) Impex intended to derive a benefit from Plaintiff's goodwill or reputation at the time of Impex's use of "POWERHOUSE". The verdict form then guided the jury to apply royalty rates of 4% and 6%, respectively, to Impex's profits before and after October 6, 2004 (the date of the filing of the suit), resulting in a total verdict of \$719,000.00. The verdict form did not specifically address whether Powerhouse should be awarded any of Impex's profits.
- 21. Harness Dickey sought to increase Powerhouse's recovery through post-trial motions. Among other things, consistent with Hoffman's opinions and testimony, Harness Dickey argued that the 4% and 6% royalty rates should be applied to Impex's sales of "POWERHOUSE" brand fitness equipment, increasing the reasonable royalty total to \$4,637,305.00. Harness Dickey also requested that these royalties be trebled, resulting in a total lost royalty award to Powerhouse of \$13,911,915.00.
- 22. In a December 4, 2006 opinion and order, the Court granted in part and denied in part the relief requested by Harness Dickey, trebling the damages

found by the jury (based on Harness Dickey's flawed verdict form) and awarding some portion of the attorney fees requested. In denying Harness Dickey's request to award lost royalties based on Impex's <u>sales</u> of "POWERHOUSE" equipment, the Court noted that Powerhouse's attorneys had largely drafted the verdict form which they had approved, and that it "likely conveyed to the jury-that lost royalty damages should be based on profits as opposed to sales."

- 23. After trebling, the jury verdict from Harness Dickey's flawed verdict form was increased to \$2,157,000. However, had Harness Dickey drafted a verdict form that directed the jury to apply the royalty percentages to sales of infringing products, after trebling and as argued by Harness Dickey in post-trial motions, the verdict would have been adjusted to \$13.9 million. Alternatively, had Harness Dickey drafted a verdict form that directed the jury to award Powerhouse Impex's profits from the sales of infringing products, Powerhouse would have received a verdict of at least \$17.65 million, a verdict which might have been trebled post-trial. Consequently, Powerhouse lost at least \$11.7 million, and as much as \$50.8 million, as a result of Harness Dickey's flawed verdict form.
- 24. Subsequent to the entry of the judgment in the Lawsuit, Powerhouse entered into a settlement agreement with Impex that resulted in Powerhouse receiving substantially less than what it would have received had the jury verdict form guided the jury to apply reasonable royalty rates to Impex's sales. The settlement agreement does not preclude Powerhouse from pursuing any claims against Harness Dickey.

LEGAL MALPRACTICE

- 25. As attorneys for Powerhouse in the Lawsuit, Harness Dickey owed Powerhouse the duty to recognize established rules of law and to do that which attorneys of ordinary learning, judgment or skill would or would not do under the same or similar circumstances.
- 26. While representing Powerhouse in the Lawsuit, Harness Dickey breached duties and committed legal malpractice by:
 - (a) failing to properly conduct discovery, leading to unnecessary legal services, fees and expenses;
 - (b) failing to argue to the Court before the jury reached its verdict that the jury's lost royalty award to Powerhouse should be calculated by applying royalty rates to Impex's sales of "POWERHOUSE" brand fitness equipment;
 - (c) failing to draft and provide to the Court for submission to the jury a verdict form which provided that the jury's lost royalty award to Powerhouse should be calculated by applying royalty rates to Impex's sales of "POWERHOUSE" brand fitness equipment;
 - (d) failing to argue to the Court before the jury reached its verdict that the verdict form should provide that Powerhouse should be awarded Impex's profits from its sale of "POWERHOUSE" brand fitness equipment;
 - (e) failing to draft and provide to the Court for submission to the jury a verdict form which provided that Powerhouse should be awarded Impex's profits from its sale of "POWERHOUSE" brand fitness equipment;
 - (f) drafting and submitting to the Court an ambiguous verdict form that did not instruct or permit the jury to disgorge in favor of Powerhouse the profits Impex had received from its sale of "POWERHOUSE" brand fitness equipment;

- (g) stipulating to a verdict form that guided the jury to apply royalty rates to Impex's <u>profits</u> from the sales of "POWERHOUSE" brand fitness equipment to determine Powernouse's total damages; and
- (h) engaging n other acts of malpractice that may be ascertained during discovery in this matter.
- 27. As a direct and proximate result of Harness Dickey's malpractice set forth above, Powerhouse has been damaged by incurring excessive legal fees and expenses and receiving a verdict, judgment and settlement substantially less than what it would have received but **6**r Harness Dickey's malpractice.

Wherefore, Plaintiff prays for a judgment awarding:

- (1) actual damages in excess of \$11 million;
- (2) pre-Complaint and post-Complaint interest as permitted by law; and
- (3) costs and attorney fees.

Respectfully submitted,

EDWARD G. LENNON PLLC

EDWARD G. LENNON (P42278

Attorney for Plaintiff

JURY DEMAND

Plaintiff hereby demands a trial by jury of all issues so triable.

Respectfully submitted,

EDWARD G. LENNON PLLC

DWARD G. LENNON (P42278)

Attorney for Plaintiff

Dated: January 18, 2008

Dated: January 18, 2008

<u>ΑΡΡΙ.ΥΙΝΌ ΙΡΙ</u>

MAG. JUDGE

JUDGE

January 31, 2008

RECEIPT #

AMOUNT

2:08-cv-10484-JAC-RSW Doc # 1 Filed 02/01/08 Pg 18 of 18 Pg ID 18 SUANT TO LOCAL RULE 83.11

Notes:

1.	Is this a case that has been previously dismissed?	
If yes,	give the following information:	
Court:		
Case N	o.:	
Judge:		
2.	Other than stated above, are there any pending or previously discontinued or dismissed companion cases in this or any other court, including state court? (Companion cases are matters in which it appears substantially similar evidence will be offered or the same or related parties are present and the cases arise out of the same transaction or occurrence.)	
•	give the following information:	
Court:	United States Court for the Eastern District of Michigan, Southern Division	
Case I	o.: 2:08-cv-10292	
Judge	Julian Abele Cook	